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FOREIGN SERVICE DISPATCH

773.5-MSP/6-658

FROM : AMEMBASSY TRIPOLI

440  
DESP. NO.

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TO : THE DEPARTMENT OF STATE, WASHINGTON.

June 6, 1958

REF : Department of State Instruction CA-9586, May 2, 1958

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|                             | 6 16   | CIA OSD ARMY NAVY 4/5 |

SUBJECT: Fiscal Year 1960 Military Aid for Libya.

PART II Reference Instruction

U.S. military aid for Libya is given primarily to build a Libyan Army capable of maintaining internal security and ensuring the ability of the Federal Government to implement its policies in all three provinces. There would not appear to be any present need for a Libyan force capable of doing more. Libya's borders are protected from foreign invasion under the terms of the Anglo-Libyan Treaty wherein the United Kingdom is obliged to render military assistance in case Libya is attacked and presumably also under the Eisenhower Doctrine.

The total force to be built up and equipped, if USG decisions are accepted by the GOL, is 4500 men, as against a present total of approximately 2800. According to his present thinking, the Chief of Staff of the Libyan Army appears to be in substantial agreement. He hopes over the next five years to strengthen the Army to a total of 5000 men.

In any consideration of Libya's capabilities in maintaining an army sufficiently large and sufficiently equipped to keep public order, the chief fact is that Libya's viability is largely dependent on foreign assistance. For the current Libyan fiscal year, and for the four years thereafter, for instance, the UK has agreed to provide Libya with 3.25 million pounds per annum. The U.S. for this Libyan fiscal year plans to provide 5.5 million dollars in direct budget support, plus an additional amount of approximately 1.5 million for economic development and technical assistance. It is not expected that Libya can support itself, in terms of meeting its budget costs and economic development needs to provide a reasonable rise in living standards in the foreseeable future, without such external assistance unless oil is found in sufficient quantities to provide the necessary revenue. There is little indication yet that such oil deposits exist beneath the Libyan sands.

The US and the West are faced with the problem of keeping Libya friendly to their interests for various reasons. So far as the US is concerned, our interest is primarily strategic, i.e. to permit Wheelus Air Base to operate and to deny unfriendly powers the rights that we enjoy here. The British have a lesser strategic interest, but, particularly with the denial of Cairo air facilities, have a major interest in Libya as an air

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Page 2 of

Encl. No.

Desp. No. 140

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transit point for commercial flights to the rest of Africa.

In the complex of foreign assistance to Libya, and its political usefulness, American military aid is an important factor. Psychologically, particularly in underdeveloped countries such as this, an army provides a source of national pride which can be highly desirable from our point of view. Libya at present is not a unified country but rather two chief provinces having little in common. The divisive forces at work in Libya could prove fatal eventually to the country's unity unless means are taken to check them. A strong central army, therefore, could serve two purposes: the first would be to maintain physically the unity of Libya in the event that civil disorders threatened to separate it; the second is to provide a source of national pride which psychologically helps the people to think of themselves as Libyans, rather than Tripolitarians, Cyrenaicans or even members of a tribe.

The fact of American military aid to the Libyan Army, if sufficiently well publicized, can be useful in strengthening the relations with both the Government and people of Libya, in addition to the practical end of building the force necessary to carry out the objective described above.

If we are to help in this task we cannot avoid considering the fact that there exist also in Libya two independent police forces, each of which is numerically larger than the present army and one of which the Cyrenaican Defense Force, is, in effect, a para-military organization. For the time being, in view of the explosive situation we would create if we were to make the suggestion that the army be strengthened at the expense of the Provincial Forces, this must only be a tacit policy. Nevertheless, it should be kept constantly in mind and opportunities to project out point of view should be taken as they arise.

While the impact of our military assistance may be somewhat lessened by the fact that we will share with the British responsibility for the Libyan Army, so long as friendly and effective cooperation exists between the US and UK in Libya toward this responsibility, and as the Libyans appear to be happy in their military relations with the British, this factor would not appear to be important.

### PART III Reference Instruction

As previously indicated, the economic capability of the Libyan Government to build or maintain an army from its own resources is virtually nil. The Libyan governmental budget is now being subsidized both by Great Britain and the United States. The British contribution is paid in to the Libyan Government's general funds and is not earmarked for any particular category of budgetary expenditure. The U.S. budgetary contribution, which will begin this fiscal year, will (except for that part allocated to development expenditure through LPDSA) come from special funds freely made available to the Libyan Government and also not earmarked for a particular category of expenditure. No U.S. defense support funds will be allocated for military expenditures. Thus, it may be considered for MAP purposes that military costs borne by the Libyan budget are met from the Libyan Government's own resources,

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Page 3 of

Encl. No.

Dep. No. 440

From: TRIPOLI

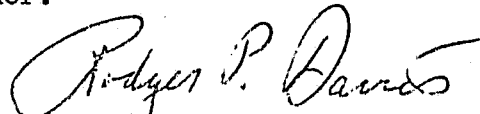
(Classification)

even though in fact this could not be done if it were not for the budgetary subsidies provided by Great Britain and the U.S. However, military costs paid from the Libyan budget are restricted to maintenance costs and certain supplies; e.g., food, POL, etc. Military equipment, light and heavy, even including uniforms, will be supplied by further grants from Great Britain and the United States and possibly from other foreign countries. (Some minor items of military or dual-use equipment will probably be purchased from Libyan budgetary funds.)

A determination of the categories of equipment included in the term "light equipment" (to be furnished by Great Britain) and "heavy equipment" (to be furnished by the U.S.) has not yet been made. Nor has agreement been reached between the British Military Mission, the Libyan Army, and MAAG on the types and amounts of equipment or supplies that will be required. Until these two things have been done, Part A (Defense Requirements) of Table 2 cannot be completed. Nor can Part B (Estimated Utilization) be completed except for the resources that have been or are expected to be allocated from the Libyan budget. In accordance with previous defense expenditure data submitted by USOM/L, the expenditures of the Federal Police and part of the expenditures of the Cyrenaican Defense Force (classified as paramilitary) are included. No breakdown of expenditure is available for the Federal Police or CYDEF.<sup>1/</sup> Presumably, Part B should also show the British contribution, when it becomes known.

In regard to Table 1, USOM has not completed its FY 1960 presentation of available resources. The data given in this present submission are taken from the USOM FY 59 presentation (ICA Form 10 - 87). Moreover, it must be emphasized that, as indicated in that presentation, there are no adequate statistical data available for the calculation of Libyan national income and product. The resources data given in Table 1 are consequently not reliable even in general order of magnitude.

For the Ambassador:



Rodger P. Davies  
Counselor of Embassy

Enclosures: 

Table I (CONFIDENTIAL)  
Table II (CONFIDENTIAL)

cc: Benghazi, Paris for West.  
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1/ Projected expenditures for the Libyan Army for Libyan fiscal years 1959/60 and 1960/61 are based on a Libyan five-year plan of expansion which has not yet been finally approved.

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RESOURCES AVAILABLE FOR DEFENSE  
(US \$ Millions: Line 1a1 US \$)

Date Prepared  
June 6, 1958

Exchange Rate  
EL 0.3571 = \$1

Country Team Table 1  
Country: Libya

|                                                                  | CY 56<br>(b) | CY 57<br>(c) | CY 58<br>(d) | CY 59<br>(e) | CY 60<br>(f)                                                 |
|------------------------------------------------------------------|--------------|--------------|--------------|--------------|--------------------------------------------------------------|
| TOTAL AVAILABLE RESOURCES (From ICA<br>Form 10-87p (as amended)) |              |              |              |              |                                                              |
| 1. <u>Source</u>                                                 |              |              |              |              |                                                              |
| a. Gross National Product at<br>Current Market Prices            | 104          | 116          | 130          | 124          | N<br>O<br>T<br><br>A<br>V<br>A<br>I<br>L<br>A<br>B<br>L<br>E |
| a.1 Per Capita GNP                                               | 94           | 103          | 110          | 106          |                                                              |
| b. Foreign Balance - Net: In-<br>flow(+) or Outflow(-)           | 20           | 31           | 35           | 29           |                                                              |
| c. Total Available Resources                                     | 124          | 147          | 165          | 153          |                                                              |
| 2. <u>Disposition</u>                                            |              |              |              |              |                                                              |
| a. <u>Consumption</u>                                            |              |              |              |              |                                                              |
| a.1 Private                                                      | 72           | 80           | 83           | 78           |                                                              |
| a.2 All Government                                               | 29           | 33           | 36           | 34           |                                                              |
| a.3 Total                                                        | 101          | 113          | 119          | 112          |                                                              |
| b. <u>Investment</u>                                             |              |              |              |              |                                                              |
| b.1 Private                                                      | 9            | 16           | 21           | 20           |                                                              |
| b.2 Government (Civil Only)                                      | 14           | 18           | 25           | 21           |                                                              |
| b.3 Total                                                        | 23           | 34           | 46           | 41           |                                                              |
| 3. <u>Index of GNP in 1957 prices: 1957 = 100</u>                | 90           | 100          | 112          | 107          |                                                              |

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RESOURCES AVAILABLE FOR DEFENSE (Cont'd)

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| LFY 55/56<br>Actual<br>(a) | LFY 56/57<br>Actual<br>(b) | LFY 57/58<br>Actual<br>(Prelim)<br>(c) | LFY 58/59<br>Budget<br>Estimates<br>(d) | LFY 59/60<br>Projected<br>(e) | LFY 60/61<br>Projected<br>(f) |
|----------------------------|----------------------------|----------------------------------------|-----------------------------------------|-------------------------------|-------------------------------|
|----------------------------|----------------------------|----------------------------------------|-----------------------------------------|-------------------------------|-------------------------------|

TOTAL RESOURCES AVAILABLE FOR DEFENSE

1. Country Defense Expenditures

~~CONFIDENTIAL~~

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|                                                    |      |      |      |      |      |      |
|----------------------------------------------------|------|------|------|------|------|------|
| a. Self-financed (not including British equipment) | 1.71 | 2.52 | 3.03 | 4.09 | 4.93 | 8.46 |
| b. Financed from U.S. Grants and Loans             |      |      |      |      |      |      |
| (1) Defense Support a/                             |      |      |      |      |      |      |
| (2) P.L. 480 (104c)                                |      |      |      |      |      |      |
| (3) Total                                          | nil  | nil  | nil  | nil  | nil  | nil  |
| c. Total (a + b(3))                                | 1.71 | 2.52 | 3.03 | 4.09 | 4.93 | 8.46 |
| d. Of Which Country's Foreign Exchange (non-add)   |      |      |      |      |      |      |

2. U.S. Military Aid Programmed Thru Current Fiscal Year (Translated into Calendar Years)

Not Available

- a. Major Materiel
- b. Other Materiel
- c. Construction
- d. Total

a/ Barmarked for defense expenditure

ESTIMATED DEFENSE REQUIREMENTS  
AND UTILIZATION OF RESOURCES  
AVAILABLE FOR DEFENSE  
(\$ Millions)

Date Prepared  
June 6, 1958

Exchange Rate  
EL 0.3571 = \$1

Service  
Army and  
Summary

Country Team Table 2  
Country: Libya

| Expenditure Category | LFY 55/56     | LFY 56/57     | LFY 57/58                 | LFY 58/59                  | LFY 59/60        | LFY 60/61        |
|----------------------|---------------|---------------|---------------------------|----------------------------|------------------|------------------|
| (a)                  | Actual<br>(b) | Actual<br>(c) | Actual<br>(Prelim)<br>(d) | Budget<br>Estimates<br>(e) | Projected<br>(f) | Projected<br>(g) |

B. ESTIMATED UTILIZATION OF RE-  
SOURCES AVAILABLE FOR DEFENSE a/

Force Improvement

|                 |      |      |      |   |   |   |
|-----------------|------|------|------|---|---|---|
| 1. Materiel     | 0.17 | 0.17 | 0.14 | * | * | * |
| 2. Construction | 0.03 | 0.03 | 0.08 | * | * | * |

Force Maintenance

|                                                          |        |        |           |            |      |      |
|----------------------------------------------------------|--------|--------|-----------|------------|------|------|
| 3. Pay and Allowances                                    | 0.50   | 0.59   | 0.79      | 1.17       | 1.43 | 2.69 |
| 4. Food                                                  | 0.00   | 0.17   | 0.31      | *          | *    | *    |
| 5. Clothing                                              | 0.11   | 0.17   | 0.20      | *          | *    | *    |
| 6. Materiel maintenance                                  | (negl) | (negl) | (negl)    | *          | *    | *    |
| 7. Petroleum products                                    | 0.06   | 0.08   | 0.08      | *          | *    | *    |
| 8. Other Operating Costs                                 | 0.08   | 0.06   | 0.11      | 1.82       | 2.18 | 4.06 |
| 9. Ministry of Defense                                   | 0.03   | 0.03   | 0.03      | 0.03       | 0.03 | 0.06 |
| 10. Federal Police b/                                    | 0.08   | 0.25   | (est)0.20 | (proj)0.25 | 0.31 | 0.36 |
| 11. Cyrenaica Defense Force<br>(paramilitary portion) b/ | 0.65   | 0.98   | (est)1.09 | (proj)1.21 | 1.26 | 1.29 |
| 12. TOTAL                                                | 1.71   | 2.52   | 3.03      | 4.48       | 5.21 | 8.46 |

a/ Excluding MAP and British or other equipment and training contributions. This table shows a distribution of the resources available for defense (Table 1, Item D1(c), by major expenditure categories.

b/ No breakdown available.

\* Included in Item 8.

Note: (negl) = negligible; (est) = estimated; (proj) = Projected.